

Message Text

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TO AMEMBASSY LIMA PRIORITY

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FOR USDEL UNIDO II

REF: LIMA 2141

FOLLOWING REPEAT OECD PARIS 06429 ACTION STATE INFO ANKARA
ATHENS BERN BONN BRUSSELS CANBERRA COPENHAGEN DUBLIN THE HAGUE
LONDON LUXEMBOURGH MADRID OSLO OTTAWA PARIS REYKJAVIK STOCKHOLM
TOKYO VIENNA WELLINGTON EC BRUSSELS NATO GENEVA USUN MAR 13C

QUOTE

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E.O. 11652: N/A

TAGS: EGEN, OECD

SUBJECT: OECD XCSS SESSION MARCH 10-12, L975

REF: STATE 55008

1. BECAUSE OF LACK BRITISH DECISION, XCSS WAS NOT ABLE
TO WRAP UP RENEWAL OF OECD TRADE PLEDGE, WHICH WAS STRON-
GLY SUPPORTED BY US (UNDER SECRETARY ROBINSON) AND
VIRTUALLY ALL OTHER MEMBERS. ONLY STATED UK CONDITION
FOR RENEWAL WAS DECLARATION ON ADJUSTMENT OBLIGATION OF
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SURPLUS COUNTRIES, WORDING OF WHICH EC COUNTRIES HOPE TO

WORK OUT BEFORE ANTICIPATED RENEWAL OF PLEDGE AT MAY OECD MINISTERIAL MEETING. XCSS AT ITS MAY 6-7 SESSION WILL TAKE UP THIS SUBJECT AS WELL AS OTHER ELEMENTS TO BE INCLUDED IN MINISTER'S COMMUNIQUE REGARDING TRADE PLEDGE, IN PARTICULAR PUSH FOR MORE ACTIVE USE OF CONSULTATION PROCEDURES ON SECTORAL PROBLEMS AND POSSIBLE TRADE PLEDGE TRANSGRESSIONS. IN STRONG STATEMENT OF US CONCERN ON RECENT AUSTRALIAN IMPORT RESTRICTIONS (AS PER REFTTEL), ROBINSON STRESSED THIS DEVELOPMENT INDICATES NEED FOR STRENGTHENING CONSULTATION PROCEDURES.

2. EXECUTIVE COMMITTEE AGREED TO LAUNCH ACTIVE OECD EFFORT ON RAW MATERIALS POLICY, LOOKING TOWARD POSSIBLE COMMODITY STABILIZATION MEASURES BY OECD COUNTRIES AS WELL AS COORDINATION OF OECD COUNTRY POSITION FOR UN AND OTHER INTERNATIONAL DISCUSSIONS IN FALL. COMMITTEE WOULD ALSO CONSIDER POSSIBLE POLITICAL STATEMENT BY OECD MINISTERS ON RAW MATERIALS POLICY, INCLUDING COOPERATION WITH LDC'S IN THIS FIELD. SECRETARY GENERAL WILL START BY CONVENING TASK FORCE OF EXPERTS FROM CAPITALS TO DEFINE PROBLEM MORE SHARPLY, IN PARTICULAR TO EVALUATE HYPOTHESIS THAT SYNCHRONIZATION OF OECD COUNTRY BUSINESS CYCLES AND INVESTMENT RIGIDITIES PRESAGE WIDER SWINGS IN MATERIALS PRICES. IN COOPERATION WITH TRADE COMMITTEE, TASK FORCE WILL ONLY REVIEW POLICY ALTERNATIVES, INCLUDING VAN LENNEP'S PROPOSAL FOR LOOSELY COORDINATED OECD COUNTRY ECONOMIC STOCKING. XCSS WILL RECEIVE PRELIMINARY REPORT FROM SECRETARY GENERAL AND TASK FORCE IN MAY AND REVIEW ITS IMPLICATIONS FOR POSSIBLE POLICY STATEMENT IN MINISTERIAL COMMUNIQUE. VAN LENNEP PUSHED HIS PROPOSAL BUT US STRESSED THAT HIS SUGGESTION, WHILE WORTHY OF CONSIDERATION, PRESUMED A COMMON ASSESSMENT OF THE COMMODITY PROBLEM WHICH DOES NOT EXIST -- AT LEAST NOT NOW.

3. IN BRIEF DISCUSSION OF ECONOMIC SITUATION, AFTER REPORT BY SECRETARIAT OF CONCLUSIONS OF EPC AND WP-3 LAST WEEK, SWISS HIGHLIGHTED DECLINE OF DOLLAR AND APPRECIATION OF SOME EUROPEAN CURRENCIES, PARTICULARLY SWISS FRANC. ROBINSON REJECTED THESIS OF US INDIFFERENCE LIMITED OFFICIAL USE

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AND STRESSED THAT ECONOMIC POLICIES WE ARE PURSUING ARE THOSE REQUIRED FOR MORE STABLE SITUATION OVER LONG TERM.

4. SOME MEMBERS, CHEERED ON BY CHAIRMAN (JOLLES) AND VAN LENNEP, CHIDED EC, US AND JAPAN FOR FOOT DRAGGING ON GENTLEMEN'S AGREEMENT NEGOTIATIONS TO LIMIT EXPORT CREDIT TERMS. THEY CITED THAT FAILURE TO PRODUCE RESULTS (CALLED FOR IN 1974 TRADE PLEDGE) WEAKENED

EFFORTS OF HARDEST-PRESSED COUNTRIES TO FEND OFF POLITICAL PRESSURE FOR NEW EXPORT INCENTIVES. CHAIRMAN CALLED FOR REPORT TO NEXT XCSS SESSION IN MAY ON PROBLEMS INVOLVED IN NEGOTIATION AND STEPS OECD CAN TAKE IN THIS FIELD.

5. AFTER DISCUSSION OF OPEC INVESTMENT XCSS ESSENTIALLY ENDORSED MAIN CONCLUSIONS ALREADY REACHED IN THE INVESTMENT COMMITTEE: DEGREE OF LIBERALIZATION OF CAPITAL FLOWS IN OECD AREA SHOULD BE PRESERVED; CLEAR DISCRIMINATION AGAINST OPEC INVESTMENT SHOULD BE AVOIDED; LOOSE CONCERNATION OF OECD COUNTRY TREATMENT OF OPEC INVESTMENT IS PREFERABLE TO HARMONIZATION; NO SPECIAL INCENTIVES SHOULD BE OFFERED TO OPEC INVESTMENT. XCSS URGED INVESTMENT COMMITTEE TO CONTINUE CONSULTATION ON NATIONAL POLICIES TOWARD OPEC INVESTMENT, WITHOUT SACRIFICING WORK ON INTERNATIONAL INVESTMENT "PACKAGE" (MULTINATIONAL COMPANY STANDARDS AND DRAFT GUIDELINES ON NATIONAL TREATMENT AND INVESTMENT INCENTIVES AND DISINCENTIVES) DELEGATED TO COMMITTEE FROM XCSS.

6. XCSS WILL MEET NEXT ON MAY 6 AND 7 TO CONSIDER TRADE PLEDGE AND RAW MATERIALS ISSUES IN ADVANCE OF OECD MINISTERIAL. TURNER UNQUOTE INGERSOLL

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